



Office of Cable and Broadband Services

Comcast Cable Franchise Renewal

*What's at Stake for
Montgomery County
and Municipalities?*





Cable Basics

- **Local Franchise Agreement is a real estate contract**
- **Franchise is non-exclusive**
- **Franchise defines the type, level, and quality of service provided by cable operator(s)**
- **Local governments must abide by federal and State laws when conducting franchise renewal process**
- **Local franchise length is negotiable but often 10-15 years**
- **Public input is a critical part of franchise renewal process**
- **Renewal process is central to determining what future services citizens will receive in the future**



Montgomery County Cable History

- Comcast holds County's oldest franchise:
 - Tribune Co. abandoned initial County franchise in early 1980s. Legal challenge in 4th Circuit followed.
 - Hauser acquired franchise, built system and then sold it
 - Repeated transfers in the 1990s, ultimately to Comcast
 - Comcast 15-year franchise expires in June 2013
- RCN 15-year franchise expires in August 2014
- Verizon 15-year franchise expires in November 2021
- Approximately 250,000 cable subscribers in the County
- County administers cable franchises for 18 municipalities within the County



Montgomery County Cable Facts

- Franchise value to the County, includes items such as:
 - Franchise fee of 5% of cable gross revenues
 - Capital grants to support FiberNet and Public, Educational, Government access (PEG)
 - Operating support for PEG
 - Operating support for FiberNet
 - 12 local cable channels
 - Free cable connections to schools, community centers, County buildings
 - Limited consumer protection benefits & customer service enforcement
- All community benefits are on the table during renewal



Montgomery County Cable Facts

- Franchise is very valuable to Comcast
- Comcast's cable revenues from a renewed Franchise Agreement should exceed \$150 million per year
 - Over a 10 to 15 year term, Comcast should earn between \$1.5 and \$2 billion in Montgomery County cable revenues
 - Comcast can leverage the cable franchise to earn an additional \$2 billion to \$3 billion in telephone and Internet revenues
- Nationally, cable systems generate almost 3 times more revenue today than they did when the franchise was last renewed (\$34 billion in 1998 vs. \$94 billion in 2010)



Franchise Renewal Provides Opportunities To:

- Guarantee the provision of state-of-the art communication services throughout the term of a renewal franchise
- Assure quality customer service
- Assure support for public, education, and government access channels, FiberNet, and other community benefits
- Assure that the cable operator pays adequate rent for commercial use of public property
- *Does not provide ability to limit or further regulate rates*



Federal Franchise Renewal

COUNTY CAN ONLY CONSIDER

- Has Comcast substantially complied with existing franchise and applicable law?
- Has the quality of Comcast's service has been reasonable in light of community needs
- Does Comcast have the financial, legal, and technical ability to provide the services, facilities, and equipment as set forth in Comcast's proposal
- Is Comcast's proposal reasonable to meet the future cable-related community needs and interests, taking into account the cost of meeting such needs and interests?



Past Performance Compliance Review

Past performance review activities will include:

- Audit
- Franchise compliance review
- Technical review of the cable system
 - Cable system & I-Net performance
 - Emergency Alert System
- Comcast customer satisfaction telephone survey
- Resulting reports will identify any contract non-compliance



Needs Assessment Process

- **Needs Assessment activities to identify future community needs and interest will include:**
 - **Financial analysis**
 - **Customer service and compliance assessment**
 - **Statistically valid telephone survey**
 - **Community focus group workshops (8) March 19-24**
 - **On-line surveys (general & FiberNet)**
 - **Stakeholder interviews**
 - **Evaluation of current PEG access equipment, facilities, and services**



Technical Review

- **Technical review activities include:**
 - **Discussion and coordination with FiberNet team to gather documentation and data and identify issues**
 - **Verification of Comcast compliance with I-Net and PEG franchise requirements (including PEG origination links)**
 - **Inspection of cable headend and selected hubs**
 - **Testing of sample locations of cable system**
 - **Code and safety inspection of cable system outside plant**
 - **Determination of future cable-related, and FiberNet-related technical needs and interests**



Video Distribution

- **Potential County video distribution needs:**
 - **Opportunities leveraging new digital video technologies**
 - More and improved two-way video applications
 - Video-on-demand/streaming
 - Digital storage
 - Production in HDTV, other technologies in future
 - **Challenges with video**
 - Old televisions, storage systems, building cabling
 - Needs for cable service
 - Digital migration (set-top converters, encrypted channels, loss of channels)
 - Signal quality (including digital “tiling, freezing”)



Comcast Role in County FiberNet

- Under current franchise:
 - Comcast provides financial support for FiberNet operations, maintenance and construction
 - Comcast fiber terminates at Comcast hubs and interconnection fiber links Comcast hubs to FiberNet hubs
 - Comcast added new sites at low cost over course of franchise
 - Currently no recurring charges
 - Limited to public, educational & government use
 - Limited wi-fi over FiberNet in Silver Spring & Bethesda
- Comcast can be required to provide capital grants to support FiberNet construction, but support for operations must be negotiated
- FiberNet will reach 450 sites at end of FY13 and needs to reach 160 more by FY18



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Focus Groups

- Arts, Culture, Music, and Heritage Organizations (3/19 1-3 pm)
- Neighborhood & Faith-Based Organizations (3/19 7-9 pm)
- Business (9/19 9-11 am)
- Neighborhood & Faith-Based Organizations (3/20 7-9 pm Spanish)
- Health & Human Service Organizations & Agencies (3/21 10am-noon)
- Non-Profit, Civic and Youth Organizations (3/21 3-5pm)
- Public Safety (3/22 10 am-noon)
- Schools & Montgomery College Teachers, Staff & PTSA (3/22 3-5pm)
- FiberNet Users (3/23 10am-noon)
- Government Agencies (3/23 2-4pm)
- Youth (3/24 1-3 pm)



Tentative Focus Group Locations

- Arts – Lawton Center Chevy Chase (3/19 1-3 pm)
- Neighborhood & Faith – Paint Branch High School (3/19 7-9 pm)
- Business – Germantown Innovation Center (3/20 9-11 am)
- Neighborhood & Faith (in Spanish) – Wheaton High School (3/20 7-9 pm)
- Healthcare – Montgomery Community Media (3/21 10 am-noon)
- Non-Profits – Montgomery Community Media (3/21 3-5pm)
- Public Safety – MCPS Choke Cherry (3/22 10 am-noon)
- Schools & Montgomery College Teachers, Staff & PTSA – MCPS Choke Cherry (3/22 3-5pm)
- FiberNet Users – COB Auditorium (3/23 10am-noon)
- Government Agencies – COB Auditorium (3/23 2-4pm)
- Youth – Northwood High School (3/24 noon - 2 pm)



Preparing for Focus Groups -- How You Can Help!

- **Appoint Needs Assessment Point Person**
- **Locations for focus group meetings**
 - **Review the draft focus group schedule**
 - **Determine which of your key people need to attend**
- **Spread the Word! Promotion and Outreach**
 - **Website**
 - **Flyers**
 - **E-mail**
 - **Newsletters**
- **Personal follow-up phone calls and e-mails**



Summary of Needs Assessment Process

- **Needs Assessment activities to identify future community needs and interest will include:**
 - **Surveys to identify technological & broadband future needs**
 - **Public meetings**
 - **Reports that document the findings of all activities and make recommendations**



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Your Participation in the Needs Assessment is the Key to a Successful Renewal!

- You provide the input that makes the needs assessment valuable
- The County will use the needs assessment to negotiate the best deal possible for the community
- If the County and Comcast cannot agree on terms, the County will develop a formal RFRP based on the needs assessment and can only ask for terms supported by the needs assessment
- Under federal law, Comcast is entitled to a renewal if it meets the terms of the RFRP and the County will only get what's in the RFRP (*which was based on the needs assessment, which was based on your participation!*)



Office of Cable and Broadband Services

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